



# TCDRS Retirement Presentation

August 12, 2013

# Benefits Provided:

- Deposit Rate 7%
- Matching Rate 200%\*
- Vesting Period 8 years
- Retirement Eligibility
  - Age 60 + 8 years of service
  - 30 years of service
  - Age + years of service = 75
- Guaranteed Interest Rate 7%

\*for employee contributions made on or after 1/1/2011

# County Comparison

County	Employee Contribution %	County Match %	Years of Service for Vesting for Retirement at age 60	Retirement Eligibility Rule	Retiree Increases 2013
<b>Collin</b>	<b>7</b>	<b>200</b>	<b>8</b>	<b>75</b>	<b>CPI 60%</b>
Bexar*	7	200	8	75	Flat 2%
Dallas	7	200	10	80	None
Denton*	7	220	8	75	None
El Paso*	7	250	8	75	Flat 2%
Fort Bend	7	200	8	75	None
Harris	6	225	8	75	None
Hidalgo*	7	200	8	75	Flat 3%
Montgomery	6	250	8	75	CPI 10%
Tarrant	7	200	8	75	CPI 50%
Travis	7	225	8	75	None
Williamson	7	250	8	75	None

\*Allows 20 years of service for retirement at any age, all others require 30 years of service for retirement at any age.

# City Comparison

City	Employee Contribution %	City Match %	Years of Service for Vesting for Retirement at age 60	Retirement Eligibility Rule	Retiree Increases 2013
Allen	7	200	5	N/A	CPI 70%
Frisco	7	200	5	N/A	CPI 70%
McKinney	7	200	5	N/A	CPI 70%
Plano	7	200	5	N/A	CPI 70%
Richardson*	7	200	5	N/A	CPI 50%
Wylie	7	200	5	N/A	CPI 70%

\*Requires 25 years of service for retirement at any age, all others allows 20 years of service for retirement at any age.

# Portfolio Rate of Return

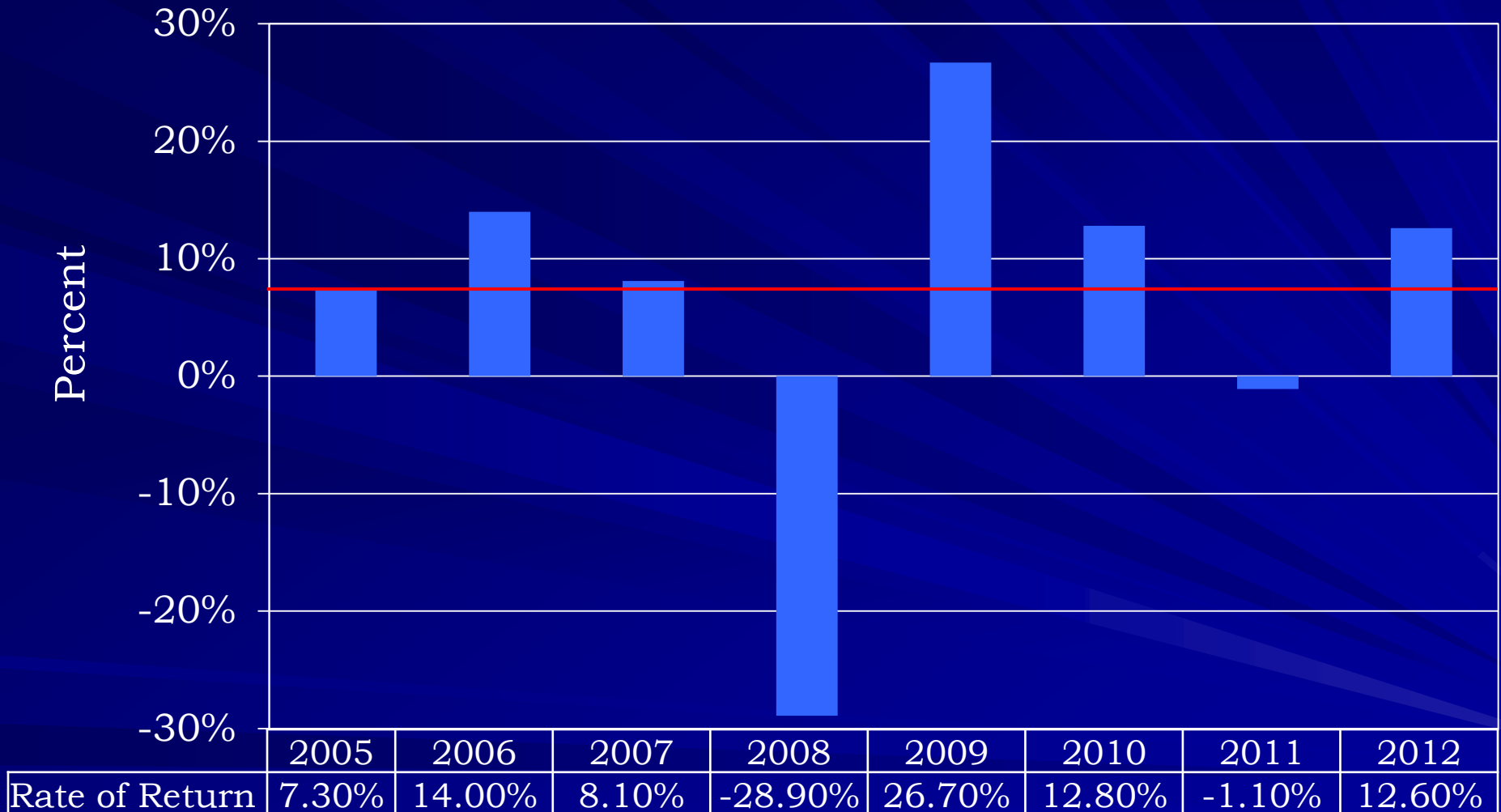
2005	7.3%
2006	14.0%
2007	8.1%
2008	(28.9)%
2009	26.7%
2010	12.8%
2011	(1.0)%
2012	12.6%

Total fund return as of 12/2012

1 year	12.6%
5 years	2.4%
10 years	7.2%
20 years	7.2%
30 years	9.2%

# Rate of Return

(Illustration Only)



— 8% return required to cover guaranteed return

# Rate of Return

(Illustration Only)

Year	Required Account Value	Required Rate of Return	Required Ending Balance		Actual Account Value	Actual Return	Actual Ending Balance
2005	\$1,000	\$ 80	\$1,080		\$1,000	\$ 73	\$1,073
2006	\$1,080	\$ 86	\$1,166		\$1,073	\$150	\$1,223
2007	\$1,166	\$ 93	\$1,260		\$1,223	\$ 99	\$1,322
2008	\$1,260	\$101	\$1,360		\$1,322	-\$382	\$ 940
2009	\$1,360	\$109	\$1,469		\$ 940	\$251	\$1,191
2010	\$1,469	\$118	\$1,587		\$1,191	\$152	\$1,343
2011	\$1,587	\$127	\$1,714		\$1,343	-\$ 15	\$1,328
2012	\$1,714	\$137	\$1,851		\$1,328	\$167	\$1,495

\*Returns over and under 8% may be allocated to or from reserves, rather than to the account, dependent upon the decision made each year by the TCDRS board. This illustration shows actual returns without taking into account any funds allocated to and from reserves. This calculation does not reflect the smoothing process that occurs for losses and gains over a 10-15 year time period.

# Rate of Return


(Illustration Only)





# Cost

	Normal Rate (%)	UAAL Rate (%)	COLA RATE(%)	Total (%)	County Contribution (%)
2006	8.11	2.75	.34	11.20	12.00
2007	9.07	2.92	.19	12.18	12.50
2008	9.06	2.69	.18	11.93	12.50
2009	9.09	2.81	.23	12.13	13.00
2010	9.10	3.74	.00	12.84	13.50
<b>Made a lump sum payment of \$1,130,000 in October 2009</b>					
2011	9.38	3.43	.08	12.89	13.50 (original)
2011	7.59	2.92	.08	10.59	13.50 (revised)
<b>Made a lump sum payment of \$5 million in October 2010</b>					
2012	7.57	2.90	.07	10.54	13.50 (original)
2012	7.57	0.00	.07	7.64	7.70 (revised)
<b>Made a lump sum payment of \$35.5 million in October 2011</b>					
2013	7.56	0.45	.05	8.06	8.50 (original)
2013	7.56	0.00	.05	7.61	8.50 (revised)
<b>Made a lump sum payment of \$2,045,000 in October 2012</b>					
2014	7.55	0.51	not decided	8.06	8.50 (budgeted)



**Lump sum payments were made to reduce the unfunded actuarial liability**

# Employer Contributions

Calendar Year	Total Employer Deposits	Contributing Employees	Average Cost Per Employee
2005	\$7,944,205	1623	\$4,894
2006	\$8,563,334	1690	\$5,067
2007	\$10,027,538	1747	\$5,739
2008	\$10,431,480	1809	\$5,766
2009 Standard Payment Lump Sum Payment	\$11,642,578 \$1,130,000	1786	\$6,518 \$632
2010 Standard Payment Lump Sum Payment	\$11,770,220 \$5,000,000	1755	\$6,706 \$2,849
2011 Standard Payment Lump Sum Payment	\$11,699,770 \$35,500,000	1790	\$6,536 \$19,832
2012 Standard Payment Lump Sum Payment	\$6,702,402 \$2,045,000	1609	\$4,166 \$1,271

# The Good, The Bad & The Unfunded Liability

- Unfunded liability as of December 2012 is \$2,794,438 (99%).
- TCDRS had positive returns in 2012 and TCDRS passed through those gains. Actuarial gains and losses are smoothed over 10 years. The 2012 gains will be recognized over time.
- Losses that are smoothed are not reflected in the unfunded liability. If an immediate asset recognition method were used instead of a delayed asset recognition the unfunded liability would be \$11,608,062 with a funded ratio of 96%.

# Unfunded Liability History

Calendar Year End	Budget Year	Unfunded Liability	Funded Percentage	Notes
2004	2006	\$24,286,450	83.4%	
2005	2007	\$26,582,718	83.9%	
2006	2008	\$22,774,159	87.7%	
2007	2009	\$24,873,034	88.2%	
2008	2010	\$41,594,399	82.0%	
Made a lump sum payment of \$1,130,000 in October 2009				
2009	2011	\$40,273,716	84.5%	before reduced match with reduced match
2009	2011	\$36,309,269	85.8%	
Made a lump sum payment of \$5 million in October 2010				
2010	2012	\$34,553,355	87.5%	
Made a lump sum payment of \$35.5 million in October 2011				
2011	2013	\$ 2,044,817	99.0%	
Made a lump sum payment of \$2,045,000 in October 2012				
2012	2014	\$ 2,794,438	99.1%	

# Unfunded Liability

<b>Actual Unfunded Liability as of 12/31/2011</b>	<b>\$2,045,000</b>
Adjustment Due to Decrease in Discount Period (formerly notated as interest)	<b>\$184,000</b>
Unfunded Liability Payments (additional percent paid monthly)	<b>(\$128,000)</b>
Recognition of Actuarial Asset Gains and Losses for 2008-2012 (additional amount owed that has been smoothed)	<b>\$5,392,000</b>
2012 Lump Sum Contribution	<b>(\$2,045,000)</b>
Loss Due to Adoption of 60% CPI COLA (cost of COLA)	<b>\$423,000</b>
Liability Gain Due to Greater than Expected Terminations and Withdrawals	<b>(\$2,553,000)</b>
Net Actuarial Losses from all Other Sources (actuarial variances)	<b>(\$524,000)</b>
<b>Actual Unfunded Liability as of 12/31/2012</b>	<b>\$2,794,000</b>



# Court Determination - COLA

- Court determines the cost of living increase each year. There are three options:
  - Flat Rate COLA's
  - CPI based COLA's
  - Nothing
- Last year, a 60% CPI increase was approved for plan year 2013. The 60% was applied to a CPI of 1.74%.
- Collin County has adopted a COLA every year since 1998.
- COLA's are funded over a 15 year period.
- There are 526 individuals currently collecting TCDRS benefits, 312 current employees are eligible to retire now, and 268 additional employees will be eligible to retire in the next 5 years.

# GASB Statement 68

- Will require Collin County to report TCDRS pension liability on the financials.
- Effective for plan year beginning January 1, 2015.
- How TCDRS calculates funding will not be the same as how it is handled on financials.
- Expense will be the change in the pension plan balance sheet over the past year.
- Net pension liability is the difference between value of accrued benefits and the plan assets.
- Standard COLAs will increase the funding calculation.
- Changes historical practice of using a long term rate of return. Uses a blended rate which will increase liability.
- Significant volatility in pension liability is possible.

# COLA's continued:

The COLA options for the 2014 plan year are:

		<b>Additional</b>	<b>Estimated</b>
<b>COLA Type</b>	<b>Percentage</b>	<b>Rate</b>	<b>Annual Cost</b>
CPI-100%		.31	\$269,700
Flat Rate	1%	.12	\$104,400
Flat Rate	2%	.23	\$200,100

- CPI can be any percent of CPI in 10% increments.
- These rates are added to the 8.06% rate for a total percent applied to all payroll dollars.
- The actual amount received by the retiree will vary.



# Court Determination Budget Information

- Determination if payment of the unfunded liability will be made.
- COLA Determination: Human Resources does not recommend a COLA due to new GASB regulations.